

# Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other				Local Government Name		County	
Audit Date		Opinion Date		Date Accountant Report Submitted to State:			

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ Yes ☐ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ Yes ☐ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☐ Yes ☐ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ Yes ☐ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ Yes ☐ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ Yes ☐ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☐ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ Yes ☐ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ Yes ☐ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.			
Reports on individual federal financial assistance programs (program audits).			
Single Audit Reports (ASLGU).			

Certified Public Accountant (Firm Name)				
Street Address		City	State	ZIP Code
Accountant Signature			Date	

HARTLAND DEERFIELD TYRONE  
FIRE AUTHORITY

REPORT ON AUDIT OF  
FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2004

## **HARTLAND DEERFIELD TYRONE FIRE AUTHORITY**

### **AUTHORITY BOARD MEMBERS**

Douglas Kuhn - Chairperson  
Richard Schumacher - Vice Chairperson  
Alfred Mattioli - Secretary/Treasurer  
Terri Lee - Trustee (alternate)  
Vicinia Phillips - Trustee (alternate)  
Thomas Green - Trustee (alternate)

### **OTHER AUTHORITY BOARD NON-MEMBERS and (non-voting) INDIVIDUALS**

Susan Dryden-Hogan - Assistant Treasurer  
Jennifer Drew - Assistant Secretary

### **ATTORNEY**

Gentry Law Offices, P.C.

### **AUDITORS**

Pfeffer, Hanniford & Palka  
Certified Public Accountants

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**PFEFFER • HANNIFORD • PALKA**

*Certified Public Accountants*

**John M. Pfeffer, C.P.A.**  
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September 25, 2004

Board of Trustees  
Hartland Deerfield Tyrone Fire Authority  
3205 Hartland Road  
Hartland, Michigan 48353

**INDEPENDENT AUDITORS' REPORT**

Honorable Board of Trustees:

We have audited the accompanying general purpose financial statements of the Hartland Deerfield Tyrone Fire Authority as of and for the year ended March 31, 2004. These general purpose financial statements are the responsibility of the Authority Board. Our responsibility is to express an opinion on these financial statements based on the audit.

We conducted the audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that the audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Hartland Deerfield Tyrone Fire Authority, as of March 31, 2004, and the results of its operations for the year then ended in conformity with accounting principles generally accepted in the United States of America.

*Pfeffer, Hanniford & Palka*

**PFEFFER, HANNIFORD & PALKA**  
**Certified Public Accountants**

GENERAL PURPOSE  
FINANCIAL STATEMENTS

HARTLAND DEERFIELD TYRONE FIRE AUTHORITY  
ALL FUND TYPES AND ACCOUNT GROUPS  
COMBINED BALANCE SHEET  
MARCH 31, 2004

	Governmental Fund Type	Account Groups		Totals (Memorandum Only)
	General Fund	General Fixed Assets	General Long-Term Debt	
<u>ASSETS</u>				
ASSETS				
Cash	\$ 96,761	\$	\$	\$ 96,761
Prepaid expenses	4,791			4,791
Accounts receivable - fire runs	4,224			4,224
Accounts receivable - other	2,948			2,948
Due from member municipalities	45,768			45,768
Fixed assets		1,189,201		1,189,201
Amount to be provided for debt			285,893	285,893
Total assets	<u>\$ 154,492</u>	<u>\$ 1,189,201</u>	<u>\$ 285,893</u>	<u>\$ 1,629,586</u>
<u>LIABILITIES</u>				
LIABILITIES				
Accounts payable	\$ 74,389	\$	\$	\$ 74,389
Accrued wages	22,000			22,000
Accrued vacation and sick time	6,072			6,072
Accrued payroll taxes	6,178			6,178
Due to Hartland Township	45,768			45,768
Capital lease payable - Oshkosh			221,525	221,525
Notes payable - GMAC			64,368	64,368
Total liabilities	<u>154,407</u>		<u>285,893</u>	<u>440,300</u>
FUND EQUITY				
Investment in general fixed assets		1,189,201		1,189,201
Fund balance - Undesignated	<u>85</u>			<u>85</u>
Total fund equity	<u>85</u>	<u>1,189,201</u>		<u>1,189,286</u>
Total liabilities and fund equity	<u>\$ 154,492</u>	<u>\$ 1,189,201</u>	<u>\$ 285,893</u>	<u>\$ 1,629,586</u>

The accompanying notes are an integral part of these financial statements

HARTLAND DEERFIELD TYRONE FIRE AUTHORITY  
GENERAL FUND  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
FOR THE YEAR ENDED MARCH 31, 2004

REVENUES

Hartland Township - contributions	\$ 722,898
Tyrone Township - contributions	446,883
Deerfield Township - contributions	144,580
Fire runs	7,927
Interest income	748
Other revenue	<u>54</u>

Total revenues	<u>1,323,090</u>
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EXPENDITURES

Personnel	277,032
Employment	16,076
Administrative services and supplies	28,460
Contractual services	55,912
Operating supplies	13,529
Repairs and maintenance	16,367
Utilities	11,594
Capital outlay	<u>1,197,810</u>

Total expenditures	<u>1,616,780</u>
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Revenues over (under) expenditures before other financing sources	<u>(293,690)</u>
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OTHER FINANCING SOURCES

Proceeds from capital lease debt	221,525
Proceeds from loans	<u>72,250</u>

Total other financing sources	<u>293,775</u>
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Revenues over (under) expenditures after other financing sources	85
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BEGINNING FUND BALANCE

ENDING FUND BALANCE	<u><u>\$ 85</u></u>
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The accompanying notes are an integral part of these financial statements



HARTLAND DEERFIELD TYRONE FIRE AUTHORITY  
GENERAL FUND  
STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
FOR THE YEAR ENDED MARCH 31, 2004

	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
REVENUES			
Hartland Township - contributions	\$ 225,652	\$ 722,898	\$ 497,246
Tyrone Township - contributions	139,493	446,883	307,390
Deerfield Township - contributions	45,130	144,580	99,450
Fire runs		7,927	7,927
Interest income		748	748
Other revenue		54	54
	<u>410,275</u>	<u>1,323,090</u>	<u>912,815</u>
Total revenues			
EXPENDITURES			
Personnel	212,929	277,032	(64,103)
Employment	21,500	16,076	5,424
Administrative services and supplies	24,250	28,460	(4,210)
Contractual services	49,000	55,912	(6,912)
Operating supplies	17,502	13,529	3,973
Repairs and maintenance	16,850	16,367	483
Utilities	12,700	11,594	1,106
Capital outlay	55,200	1,197,810	(1,142,610)
	<u>409,931</u>	<u>1,616,780</u>	<u>(1,206,849)</u>
Total expenditures			
Revenues over (under) expenditures before other financing sources	<u>344</u>	<u>(293,690)</u>	<u>(294,034)</u>
OTHER FINANCING SOURCES			
Proceeds from capital lease debt		221,525	221,525
Proceeds from loans		72,250	72,250
		<u>293,775</u>	<u>293,775</u>
Total other financing sources			
Revenues over (under) expenditures after other financing sources	344	85	(259)
BEGINNING FUND BALANCE			
ENDING FUND BALANCE	<u>\$ 344</u>	<u>\$ 85</u>	<u>\$ (259)</u>

The accompanying notes are an integral part of these financial statements

HARTLAND DEERFIELD TYRONE FIRE AUTHORITY  
GENERAL FUND  
STATEMENT OF EXPENDITURES - BUDGET AND ACTUAL  
FOR THE YEAR ENDED MARCH 31, 2004

	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
PERSONNEL			
Chief wages	\$ 36,500	\$ 50,012	\$ (13,512)
Scheduled employee wages	35,000	40,253	(5,253)
Scheduled employee - overtime wages	2,000	2,642	(642)
On-call employees wages	85,000	114,129	(29,129)
On-call employees - overtime wages	200	348	(148)
Per diems - fire board wages	4,500	6,400	(1,900)
Secretarial wages		1,337	(1,337)
Payroll taxes	10,729	15,992	(5,263)
Medical insurance	14,500	7,778	6,722
Disability - life insurance	1,000	10,776	(9,776)
Workers compensation insurance	9,000	12,692	(3,692)
Retirement (MERS and deferred compensation)	<u>14,500</u>	<u>14,673</u>	<u>(173)</u>
Total personnel	<u>212,929</u>	<u>277,032</u>	<u>(64,103)</u>
EMPLOYMENT			
Uniforms and clothing allowance	4,000	3,345	655
Physicals and medical expense	10,500	1,976	8,524
Education and training	<u>7,000</u>	<u>10,755</u>	<u>(3,755)</u>
Total employment	<u>21,500</u>	<u>16,076</u>	<u>5,424</u>
ADMINISTRATIVE SERVICES AND SUPPLIES			
Office supplies - station 61	1,700	2,480	(780)
Furniture	4,400	2,444	1,956
Postage	150	138	12
Computers and software	350	712	(362)
Dues and membership	1,500	4,803	(3,303)
Telephone - station 61	3,500	3,288	212
Telephone - station 62	300	295	5
Mileage and expenses	50		50
Printing and publishing		2,078	(2,078)
Liability insurance	12,000	12,076	(76)
Bank fees	<u>300</u>	<u>146</u>	<u>154</u>
Total administrative services and supplies	<u>24,250</u>	<u>28,460</u>	<u>(4,210)</u>

The accompany notes are an integral part of these financial statements

HARTLAND DEERFIELD TYRONE FIRE AUTHORITY  
GENERAL FUND  
STATEMENT OF EXPENDITURES - BUDGET AND ACTUAL (continued)  
FOR THE YEAR ENDED MARCH 31, 2004

	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
CONTRACTUAL SERVICES			
Accounting	4,000	4,180	(180)
Auditing services	8,500		8,500
Fire protection contracts	35,000	48,382	(13,382)
Attorney fees	<u>1,500</u>	<u>3,350</u>	<u>(1,850)</u>
Total contractual services	<u>49,000</u>	<u>55,912</u>	<u>(6,912)</u>
OPERATING SUPPLIES			
Uniforms and protective clothing	7,500	2,962	4,538
Fire prevention	500	54	446
Operating supplies - station 61	2,000	2,167	(167)
Operating supplies - station 62	50	5	45
Tools - station 61	750	758	(8)
Tools - station 62	250	176	74
Maps and directories	250		250
Small equipment - station 61	2,250	3,337	(1,087)
Small equipment - station 62	50		50
Medical supplies	1,200	1,279	(79)
Radio equipment	200	75	125
Fuel	2,500	2,716	(216)
Lease - station 61	1		1
Lease - station 62	<u>1</u>	<u>          </u>	<u>1</u>
Total operating supplies	<u>17,502</u>	<u>13,529</u>	<u>3,973</u>
REPAIRS AND MAINTENANCE			
Equipment repairs - station 61	3,000	2,617	383
Equipment repairs - station 62	500	91	409
Vehicle repairs	10,000	10,806	(806)
Grounds maintenance		40	(40)
Building repairs - station 61	2,000	1,524	476
Building repairs - station 62	500		500
Operating supplies - repairs	200	65	135
Administrative supplies - repairs	400	469	(69)
Computers and software - repairs	<u>250</u>	<u>755</u>	<u>(505)</u>
Total repairs and maintenance	<u>16,850</u>	<u>16,367</u>	<u>483</u>

The accompanying notes are an integral part of these financial statements

HARTLAND DEERFIELD TYRONE FIRE AUTHORITY  
GENERAL FUND  
STATEMENT OF EXPENDITURES - BUDGET AND ACTUAL (continued)  
FOR THE YEAR ENDED MARCH 31, 2004

	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
UTILITIES			
Gas - station 61	5,000	5,613	(613)
Gas - station 62	600	488	112
Electricity - station 61	4,200	3,537	663
Electricity - station 62	2,100	1,856	244
Sewer	200	57	143
Water	<u>600</u>	<u>43</u>	<u>557</u>
Total utilities	<u>12,700</u>	<u>11,594</u>	<u>1,106</u>
CAPITAL OUTLAY			
Equipment - operating	14,800	197,431	(182,631)
Transportation equipment	33,900	975,961	(942,061)
Computers and software	5,000	8,659	(3,659)
Equipment - office		7,150	(7,150)
Debt service		8,609	(8,609)
Capital reserve	<u>1,500</u>	<u>          </u>	<u>1,500</u>
Total capital outlay	<u>55,200</u>	<u>1,197,810</u>	<u>(1,142,610)</u>
Total expenditures	<u>\$ 409,931</u>	<u>\$ 1,616,780</u>	<u>\$ (1,206,849)</u>

The accompanying notes are an integral part of these financial statements

NOTES  
TO  
FINANCIAL  
STATEMENTS

HARTLAND DEERFIELD TYRONE FIRE AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED MARCH 31, 2004

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. REPORTING ENTITY

The Hartland Deerfield Tyrone Fire Authority was organized under Public Act No. 57, of the Public Acts of 1988, as amended in December of 2001 on April 18, 2003. The Authority approved a fiscal year-end date of March 31. The purpose of the Authority is to provide fire protection and other emergency health and safety services. The incorporating municipalities are Hartland Township, Deerfield Township and Tyrone Township. Each municipality is represented by two members of which 1 representative from each municipality is considered an alternate. Thus, there are only three votes for all board approvals. Each board member must be an elected individual for his or her respective municipality and is selected by its respective municipality board of trustees.

The six board members appoint its own officers which are the chairperson, vice chairperson and secretary/treasurer, as well as select two additional non-voting and non-member individuals for the positions of assistant secretary and assistant treasurer.

In accordance with generally accepted accounting principles and Governmental Accounting Standards Board (GASB) Statement No. 39 "The Financial Reporting Entity", these financial statements present all activities of the Authority. There are no component units of the Authority using the criteria established by the GASB for determining the reporting entity.

B. BASIS OF PRESENTATION

The accounts of the Authority are organized and operated on the basis of funds and account groups, each of which is considered a separate accounting entity. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions.

For the year ended March 31, 2004, the financial activities of the Authority were recorded in one "General Fund". It is used to account for all financial resources, except those required for in another fund which did not occur.

C. BASIS OF ACCOUNTING

Basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

All governmental funds and expendable trust funds are accounted for using the modified accrual basis of accounting. Their revenues are recognized when they become measurable and available as net current assets.

Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred. An exception to this general rule is: principal and interest on general long-term debt which is recognized when due.

HARTLAND DEERFIELD TYRONE FIRE AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED MARCH 31, 2004

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (continued)

D. MANAGEMENT ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

E. BUDGETS

The Authority is required to prepare a proposed annual budget reflecting projected revenues and expenditures of the Authority for the next fiscal year beginning April 1. The proposed budget is presented for the budget meeting in December of the year prior to the end of the fiscal year. The Authority board is then required to submit the proposed budget to the incorporating Municipalities no later than January 1<sup>st</sup> of each year. After approval of the proposed budget of a two-thirds majority of the incorporating Municipalities, the Authority Board gives final approval to the Authority budget for the next fiscal year. The budget may be adjusted from time to time upon approval by the Authority Board with a two-thirds majority vote.

For the year ending March 31, 2004, the first six months were considered a start-up period. During the first six months Hartland Township paid all Authority approved bills. These costs were divided between the incorporating Municipalities based on an agreed-upon formula. Hartland Township will be reimbursed for those costs outside of the Authority.

However, these costs were recorded in the books of the Authority with the respective offset going to the revenue accounts, contributions from Municipalities. Effective October 1, 2003, the Authority began paying all of its costs.

Actual expenditures exceeded budgeted expenditures in several areas because the Authority's budget was based on a short period of six months. The budget amounts shown in the financial statements are the final authorized amounts as revised during the year. All annual appropriations lapse at the fiscal year end.

F. RISK MANAGEMENT

The Authority is exposed to various risks of loss pertaining to property loss, torts, errors and omissions, and employee injuries (workers' compensation), as well as medical benefits provided to employees. The Authority has purchased commercial insurance for these claims. Settled claims related to the commercial insurance have not exceeded the amount of insurance coverage.

G. TOTAL COLUMNS ON STATEMENTS - OVERVIEW

The total column on the Combined Statements is captioned "Memorandum Only" to indicate that it is presented only to facilitate financial analysis. Data in this column does not present financial position, results of operations, or changes in financial position in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation, because interfund eliminations have not been made in the aggregation of this data.

HARTLAND DEERFIELD TYRONE FIRE AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED MARCH 31, 2004

**NOTE 2 - CHANGES IN GENERAL FIXED ASSETS**

A summary of changes in general fixed assets is as follows:

	<u>Balances 4-01-03</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balances 3-31-04</u>
Transportation equipment	\$	\$ 975,961	\$	\$ 975,961
Operating equipment		197,431		197,431
Equipment - office		7,150		7,150
Computers and software		8,659		8,659
		<u>          </u>		<u>          </u>
Totals	<u>\$</u>	<u>\$ 1,189,201</u>	<u>\$</u>	<u>\$ 1,189,201</u>

The Authority received assets transferred from Hartland Township at an agreed upon value of \$858,317. Per the agreement, Deerfield and Tyrone Townships will reimburse Hartland Township for their respective shares of the value.

**NOTE 3 - DEPOSITS WITH FINANCIAL INSTITUTIONS AND INVESTMENTS**

Michigan Compiled Laws, Section 129.91, authorizes the Authority to deposit and invest in the accounts of federally insured banks, credit unions, and savings and loan associations; bonds, securities and other direct obligations of the United States, or any agency or instrumentality of the United States; United States government or Federal agency obligation repurchase agreements; bankers; acceptance of United States banks; commercial paper rated by two standard rating agencies within the two highest classifications, which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions which are rated investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan. Financial institutions eligible for deposit of public funds must maintain an office in Michigan. The Authority's deposits are in accordance with statutory authority.

The Governmental Accounting Standards Board Statement No. 3 risk disclosures for the Authority's deposits are as follows:

<u>Deposits</u>	<u>Carrying Amount</u>	<u>Bank Balance</u>
Insured	\$ 96,661	\$ 100,000
Uninsured and uncollateralized		<u>7,654</u>
	<u>\$ 96,661</u>	<u>\$ 107,654</u>

The Authority maintains an imprest petty cash fund of \$100.



HARTLAND DEERFIELD TYRONE FIRE AUTHORITY  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED MARCH 31, 2004

**NOTE 4 - LEASE AGREEMENT**

The Authority has a signed lease agreement with Hartland Township to lease the fire hall located at 3205 Hartland Road #61 and the sub-station located at 5965 Old US 23 #62 for \$1 per year for 10 years effective October 1, 2003.

**NOTE 5 - GENERAL LONG-TERM DEBT**

The following is a summary of long-term debt activity for the Authority:

	<u>Balances</u> <u>4-01-03</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balances</u> <u>3-31-04</u>
Oshkosh Capital - Engine 63	\$	\$ 221,525	\$	\$ 221,525
GMAC - 2 trucks	<u>                    </u>	<u>72,250</u>	<u>7,882</u>	<u>64,368</u>
Totals	<u>\$</u>	<u>\$ 293,775</u>	<u>\$ 7,882</u>	<u>\$ 285,893</u>

Oshkosh Capital - Engine 63 - As part of the asset transfer agreement between the Authority and Hartland Township, the Authority took over the capital lease debt originally assigned to Hartland Township at the net present value of \$221,525. Interest is charged at 3.59% per annum. The Authority is responsible for three remaining annual payments as follows:

<u>Date of Payment</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
May 15, 2004	\$ 71,253	\$ 7,953	\$ 79,206
May 15, 2005	73,811	5,395	79,206
May 15, 2006	<u>76,461</u>	<u>2,745</u>	<u>79,206</u>
Totals	<u>\$ 221,525</u>	<u>\$ 16,093</u>	<u>\$ 237,618</u>

HARTLAND DEERFIELD TYRONE FIRE AUTHORITY  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED MARCH 31, 2004

NOTE 5 - GENERAL LONG-TERM DEBT- continued

GMAC - 2 trucks - As part of the asset transfer agreement between the Authority and Hartland Township, the Authority took over two loans with GMAC originally assigned to Hartland Township at the net present value of \$72,250. The loans were financed with no interest. There are 49 monthly payments remaining which are the Authority's responsibility. The monthly payment amounts are \$639.01 and \$674.63 for a 2003 pick-up truck and 2003 C2500 truck respectively. The following illustrates by fiscal year future principle payments:

<u>YEAR</u>	<u>AMOUNT</u>
3-31-05	\$ 15,764
3-31-06	15,764
3-31-07	15,764
3-31-08	15,764
3-31-09	<u>1,312</u>
Total	<u>\$ 64,368</u>

NOTE 6 - PENSION AND DEFERRED COMPENSATION PLANS

The Authority offers its full time non-union employees a deferred compensation plan created in accordance with Internal Revenue Code (IRC) Section 457. The plan allows employees to contribute up to \$12,000 annually. The Authority's contribution is 5% of gross base wages. As of March 31, 2004 there were five employees enrolled in the plan. The Authority's contribution of the year totaled \$3,673.

The Authority also provides to its fire chief a defined benefit pension plan under MERS. MERS is an agent multiple-employer, state-wide, defined benefit public employee retirement plan created under Public Act 135 of 1945 and now operates under Public Act 220 of 1996. MERS was established by the State of Michigan for purposes of providing retirement, survivor and disability benefits on a voluntary basis to the State's local government employees. Under Public Act 220, MERS became an independent public non-profit corporation independent from State government. The effective date of independence was August 16, 1996, at which time MERS ceased to be a part of the State of Michigan, Department of Management and Budget.

As of March 31, 2004 there were 45 total employees and one covered employee. Covered and total payrolls for the year ended was \$50,012 and \$165,100 respectively. Currently, there are no retirants receiving benefits from the plan.

The Authority has signed all final paperwork with MERS, however, is still awaiting for its first invoice. The Authority has accrued an estimated \$11,000 for its pension obligation for the year ending March 31, 2004.

The annual actuarial report which discloses the "pension benefit obligation" was not completed as of September 25, 2004, therefore is not included as part of these notes to the financial statements.

HARTLAND DEERFIELD TYRONE FIRE AUTHORITY  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED MARCH 31, 2004

NOTE 7 - GOVERNMENTAL ACCOUNTING STANDARDS BOARD (GASB) - STATEMENT NO. 34

In June 1999, the Governmental Accounting Standards Board (BASB) unanimously approved Statement No. 34, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments. Certain of the significant changes in the statement include the following:

For the first time the financial statements will include:

A Management Discussion and Analysis (MD&A) section providing an analysis of the Authority's overall financial position and results of operations.

Financial statements prepared using full accrual accounting for all the Authority's activities, including reporting infrastructure assets.

A change in the fund financial statements to focus on the major funds.

The general provisions of GASB No. 34 must be implemented by the Hartland Deerfield Tyrone Fire Authority no later than the fiscal year ending March 31, 2005.

HARTLAND DEERFIELD TYRONE  
FIRE AUTHORITY

COMMENTS  
AND  
RECOMMENDATIONS

FOR THE YEAR ENDED MARCH 31, 2004

September 25, 2004

Board of Trustees  
Hartland Deerfield Tyrone Fire Authority  
3205 Hartland Road  
Hartland, Michigan 48353

Honorable Board of Trustees:

In planning and performing our audit of the general purpose financial statements of Hartland Deerfield Tyrone Fire Authority for the year ended March 31, 2004, we considered the Authority's internal control in order to determine our auditing procedures for the purpose of expressing an opinion on the general purpose financial statements and not to provide assurance on internal control.

However, during our audit we became aware of some matters that are opportunities for strengthening internal controls and operating efficiency. Those matters are as follows:

1. COMMENT

The Authority lacks some segregation of duties in its accounting environment.

- The assistant treasurer does all accounting functions such as writing checks, posting payables and all payroll functions, bank reconciliations, maintaining the general ledger, signing check capabilities, etc.
- The assistant secretary performs all functions related to tracking invoices sent to insurance companies and others for fire runs. These functions include opening mail with payments, posting to a receivable ledger program the billings and receipts. We also noticed checks received from insurance companies and others were sometimes deposited two to three weeks after receipt.

#### RECOMMENDATION

The Authority may wish to evaluate the cost/benefit of segregating some of these duties.

- We recommend at a minimum that a separate individual such as the chief be the first person to open bank statements and review for any unusual transactions.
- We also suggest at a minimum a separate individual from the assistant secretary open all mail and make copies of checks received for fire runs. The copies of checks should be kept in a separate file and on an interim basis compared to the postings in the receivable ledger program. Also, checks received should be deposited in a more timely period.

#### 2. COMMENT

Several receivables and payables exist between the Authority and its member townships related to the formation of the Authority (expenses paid by Hartland Township during the start-up period on behalf of the Authority).

#### RECOMMENDATION

The Authority should make efforts to pay or bill each respective township to eliminate these balances.

#### 3. COMMENT

In reviewing the minutes as part of the audit we could not see where the Authority approved the original budget. We also noticed when the budget was amended during the year, there were no dollar amounts reconciling the minutes with the amended budget.

#### RECOMMENDATION

All budget approvals and changes should be placed in the minutes with dollar amounts which can be reconciled with the budget documents.

This letter does not affect our report dated September 25, 2004 on the general purpose financial statements of Hartland Deerfield Tyrone Fire Authority.

We will review the status of these comments during our next audit engagement. We have already discussed many of these comments and recommendations with various Authority personnel, and we will be pleased to discuss them in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations.

This report is intended solely for the information and use of the Board of Trustees, and management of Hartland Deerfield Tyrone Fire Authority.